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## Finance minutes 01/25/2012

Finance Committee

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## UMM Finance Committee Minutes – January 25, 2012

Members Present: Roland Guyotte, Lowell Rasmussen, Pieranna Garavaso, Laura Thielke, Mary Zosel, Timna Wyckoff, Michael Korth, Andy Sharpe, Reed Olmscheid, Manjari Govada, Gwen Rudney, Sara Haugen

Guests: Jacqueline Johnson, Colleen Miller, Bryan Herrmann

### **Budget discussion**

Chancellor Johnson said she was going to talk through the logic of what we're doing and look at what we've done in the past. She welcomed members of the committee to interrupt her at any point if they have questions. The task in front of UMM's Administration is to forecast and set the budget for FY13. The task in front of the Finance Committee is to better understand that task and to help Administration decide on the right number of anticipated degree seeking students to use in the budget. We work with a set of instructions provided by the Budget Office in the Twin Cities. Those instructions include a salary increase of 2.5% (budget information should not be interpreted as an attempt by the University to disregard good faith bargaining with affected employee groups); a decrease in fringe rates; and a tuition increase of 3.5%. We have to develop a budget that balances (expenditures do not exceed resources available) and the budget we submit is the budget we need to achieve.

In addition to the assumptions that are included in the budget instructions, we also tie the budget to a projected number of degree seeking students – this number then ties into the tuition revenue projection. We have to set this number in March even though we won't have a good prediction of that number until later in May.

Last year, the budget number set for degree seeking students was 1,690. That number was 5% higher than the year before and reflected the actual number of students we had at the fall 2010 ten-day count. We enrolled 1,822 students this year (fall semester 2011 ten-day count). Keep in mind that we typically melt between 2-6% enrolled students between fall and spring terms. This year it looks like our spring melt is on the high end, but we don't have official numbers as of yet.

The Budget Office determines whether units get to keep the additional revenue that is generated from excess tuition over budget. They have allowed us to keep the revenue the past few years, but it isn't a "given" that we will continue to get to do so. We haven't officially received the additional revenue yet and we won't until the end of the fiscal year. Right now we're working with some actual data (from fall and spring) and some estimates (summer sessions) in coming up with our total year revenue estimates. We do know that most of the excess revenue will be needed to plug holes in our merit (we overspent) scholarships. Between the years 2000-2005 UMM was allocating some of the O&M allocation money to merit fund scholarships that was intended (according to the Budget Office) for need-based scholarship programs and the Twin Cities is asking us to correct this or to do a reallocation over the next four years. Michael Korth asked why four years and whether or not this is debt beyond what

we've talked about the last few years. Colleen Miller responded that the Twin Cities determined the four year time period; and yes, this is an issue that has not been discussed previously. Chancellor Johnson said her preference is that we come back to this issue next week and that we continue to talk through what we need to do to set a budget number for degree seeking students today. Michael Korth asked that we come back to the scholarship issue and that we have something in "black and white."

Lowell Rasmussen explained the strategies available in terms of picking a budget number for degree seeking students. There are pros and cons associated with each of the strategies. There are basically three options: 1) be aggressive and set the number higher, which generates more budgeted revenue available, and with a downside that if we do not attain this number we have to "cut" actual costs mid-year ; 2) go for more of a middle-of-the-road approach and budget the number that will generate budgeted revenue equal to the dollars we expect to spend; thereby leaving no excess for potential unplanned expenditures or the ability to add to our contingency reserve; 3) budget conservatively and set the number lower than what we have already achieved, which will put constraints on budget dollars available to spend to produce a balanced budget.

Chancellor Johnson added that there are further advantages and disadvantages with each strategy. She has to present a credible picture to the System Officers on March 9, 2012. It wouldn't be credible to suggest that we build our base on 1,690 students again this year since we have already achieved a considerably higher number than that. So, what is the right number and why don't we just use the number we hit in the fall 2011 (1,822)? There are many factors to consider: current applications are slightly down; current offers are slightly down; confirmations are up, but this number can change quickly; merit scholarships have lost considerable value in buying power when considering the increases in tuition rates over the past several years; it's early in the enrollment cycle; Twin Cities applications are also down and we are competing in the same markets; and we don't have a robust retention plan in place at UMM.

Bryan Herrmann distributed enrollment projections for 2012-2014 outlining three different scenarios. After explaining what the different categories mean, he expanded on the fact that our scholarships don't have the buying power they used to. Mary Zosel asked how the numbers of Minnesota high school seniors graduating compare between 2010 and 2011 and wondered if there are more students going to community colleges. Bryan said the Minnesota high school graduates are starting a slow decline. The community college market is very competitive as well because there are many people who are going back for retraining who do not plan to go to a four-year college. We are working hard to build pipelines into community colleges. Chancellor Johnson added that we have very little in place to support transfer students and we haven't always had cooperation with all disciplines to develop those transfer guides. Roland Guyotte wondered if high ability students are more likely to be retained if you have the programs they really want. Lowell Rasmussen said NACUBO has information to support that theory.

This discussion will continue next Wednesday, February 1 at 1:00 in the Welcome Center along with information about scholarships.